



Patrick W. Henning, Director
September 3, 2008
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Arnold Schwarzenegger
Governor

Ms. Cheryl Moore, Executive Director
Workforce Investment Board of Ventura County
855 Partridge Dr.
Ventura, CA 93003

Dear Ms. Moore:

**WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08**

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Workforce Investment Board of Ventura County's (WIBVC) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. TG Akins from June 2, 2008 through June 6, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by WIBVC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of WIBVC, a review of applicable policies and procedures, and a review of documentation retained by WIBVC for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on August 18, 2008, and reviewed your comments and documentation before finalizing this report. Because your response did

not adequately address finding 1 and 2 cited in the draft report, we consider these findings unresolved. We request that WIBVC provide the Compliance Review Division (CRD) with a corrective action plan (CAP) to resolve the issue that led to these findings. Therefore, these findings remain open and have been assigned Corrective Action Tracking System (CATS) numbers 80150 and 80151.

Your response adequately addressed findings 3 and 4 cited in the draft report. However, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 80152 and 80153.

BACKGROUND

The WIBVC was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, WIBVC was allocated \$1,442,593 to serve 222 adult participants; \$1,569,827 to serve 247 youth participants; and \$1,655,144 to serve 170 dislocated worker participants.

For the quarter ending March 31, 2008, WIBVC reported the following expenditures and enrollments for its WIA programs: \$953,424 to serve 158 adult participants; \$806,091 to serve 253 youth participants; and \$911,927 to serve 150 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, WIBVC is meeting applicable WIA requirements concerning financial management, we noted instances of noncompliance in the following areas: JTA expenditure reporting and accrual reporting. The findings that we identified in these areas, our recommendations, and WIBVC's proposed resolution of the findings are specified below.

FINDING 1

Requirement: 20 CFR 667.200(a)(7) states, in part, that interest income earned on funds received under WIA must be included as program income.

20 CFR 667.300(c)(2) states, in part, that each grant recipient must submit financial reports that include any income and profits earned.

29 CFR Section 97.25(b) states, in part, that program income means gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of a grant agreement during the grant period.

WIA Directive WIAD 01-6 states, in part, that program income generated during the life of a specific allocation must be expended before the end of the availability of the funds. Any unexpended funds must be returned.

Observation: We observed that WIBVC receives interest income on WIA funds from Ventura County and documents that they are spending the program income prior to requesting more cash from the State. However, WIBVC did not report any program income on their Job Training Automation (JTA) expenditure reports for the September 2007, December 2007, and March 2008 quarters.

Recommendation: We recommended that WIBVC provide a Corrective Action Plan (CAP) to the Compliance Review Division (CRD) to ensure that, in the future, WIBVC reports all program income on JTA expenditure reports for each quarter.

WIBVC Response: The WIBVC stated that they reported interest income as program income earned and program income expended on the JTA system for the quarter ending June 2008 and that the practice will continue in the future.

State Conclusion: Based on WIBVC's response, we cannot resolve this issue at this time. We reviewed the JTA Expenditure report for the quarter ending June 2008 and noted that WIBVC only reported \$1521.85 in program income. While on-site the documentation that we reviewed showed that WIBVC had earned \$2826.32 year-to-date in program income through two and a half quarters. We, again, recommend that WIBVC provide a Corrective Action Plan (CAP) to the Compliance Review Division (CRD) to ensure that, in the future, WIBVC reports all program income on JTA expenditure reports for each quarter. Until then, this issue remains open and has been assigned CATS number 80150.

FINDING 2

Requirement: 29 CFR Section 95.21(b)(1) states, in part, that financial management systems shall provide for accurate, current and

complete disclosure of the financial results of federally sponsored project or program.

20 CFR Section 667.300(c)(3) states, in part, that reported expenditures must be on the accrual basis of accounting. If a recipient's accounting records are not normally kept on an accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

WIAD06-4 states, in part, that all WIA grant recipients are required to report expenditures on an accrual basis and must submit quarterly expenditure reports on a cumulative basis and a separate expenditure report must be filed for each line item or grant code.

Observation: We noted that WIBVC does not require its subrecipients to report on an accrual basis. We reviewed the single audits for two of its subrecipients and found that the subrecipients use the accrual basis of accounting but only reported cash expenditures to the JTA expenditure report.

Recommendation: We recommended that WIBVC provide CRD with a CAP to ensure that, in the future, its financial reports include accruals from their subrecipients.

WIBVC Response: The WIBVC stated that although they do not require their subrecipients to report their accrued expenses directly to WIBVC, they use past invoices and historical data from their subrecipients when reporting their own accruals to the JTA expenditure report. WIBVC also stated that they agree to verify the accrued amounts with their subrecipients when reporting to the JTA expenditure report in the future.

State Conclusion: Based on WIBVC's response, we cannot resolve this issue at this time. WIBVC did not address the fact that they have not received any accrual information from their subrecipients. The percentage that WIBVC does use to report their own accruals only takes into account actual expenditures reported by subrecipients and does not take into account the actual accruals that their subrecipients have. We, again, recommend that WIBVC provide CRD with a CAP to ensure that, in the future, its financial reports include accruals from their subrecipients. This issue remains open and has been assigned CATS number 80151.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, WIBVC is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: improper sole source and contract language. The findings that we identified in these areas, our recommendations, and WIBVC's proposed resolution of the findings are specified below.

FINDING 3

Requirement: 29 CFR 97.36(d)(4)(i) states, in part, that procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies:

- The item is available only from a single source;
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- The awarding agency authorizes noncompetitive proposals;
or
- After solicitation of a number of sources, competition is determined inadequate.

Observation: We observed that WIBVC awarded two sole source contracts to the Agency (actual name of the company) without determining that the award was not feasible under any other procurement method. Specifically, the WIBVC used a prior Request-for-Proposal (RFP) process that the Agency was selected to provide marketing services for Ventura County's Workforce Investment Board (WIB) as justification for awarding these two contracts. The reason for WIBVC's sole source does not meet any of the four circumstances identified above for justifying a sole source transaction.

Recommendation: We recommended that WIBVC provide CRD with a CAP stating how it will ensure, in the future, that WIBVC's sole source procurement documentation includes evidence that it is infeasible to use a competitive procurement method.

WIBVC Response: The WIBVC stated that they received coaching from their County GSA Procurement Officer and that, in the future, they will follow procedures that convey sole source documentation which includes a cost/price analysis and sole source narrative.

State Conclusion: The WIBVC stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, WIBVC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80152.

FINDING 4

Requirement: 29 CFR 97.36(i)(3) states, in part, that a grantee's and subgrantee's contracts must contain provisions regarding compliance with Executive Order (E.O.) 11246 of September 24, 1965, entitled "Equal Employment Opportunity," as amended by E.O. 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR Chapter 60).

Observation: We observed that WIBVC's contract boilerplate did not have a contract provision regarding compliance with E.O. 11246 and amended by E.O. 11375.

Subsequent to the on-site review, the WIBVC Contracts Manager provided language that will be inserted into the contract boilerplate.

Recommendation: We recommended that WIBVC provide CRD with a copy of the revised contract boilerplate that contains all required provisions.

WIBVC Response: WIBVC provided a copy of their updated contract boilerplate. The new contract boilerplate contains all required provisions.

State Conclusion: The WIBVC stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, WIBVC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80153.

Ms. Cheryl Moore

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September 3, 2008

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than October 15, 2008. Please submit your response to the following address:

Compliance Monitoring Section
Compliance Review Division
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is WIBVC's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain WIBVC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654 7825 or Mr. TG Akins at (916) 654 8428.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Jose Luis Marquez, MIC 50
Norma McKay, MIC 50
Daniel Patterson, MIC 45
Linda Patton-Finch, MIC 50